United Nations E/CN.18/2005/10

Economic and Social Council

Distr.: General
16 March 2005

Original: English

United Nations Forum on Forests
Fifth session
New York, 16-27 May 2005
Item 9 of the provisional agenda*
High-level ministerial segment and policy dialogue with heads of international organizations

Letter dated 15 October 2004 from the Permanent Representatives of Indonesia and Switzerland to the United Nations addressed to the Secretary-General

We have the honour to inform you that the international meeting on the theme "Decentralization, federal systems in forestry and national forest programmes" ("the Interlaken Workshop"), a country-led initiative in support of the United Nations Forum on Forests, which had been announced to you in a letter dated 5 March 2004 from the Permanent Representative of Switzerland to the United Nations and the Chargé d'affaires of Indonesia to the United Nations (E/CN.18/2004/15), was held in Interlaken, Switzerland, from 27 to 30 April 2004.

The objectives of the Interlaken Workshop were as follows:

- To analyse the implications of decentralization in key aspects of forest management for the development of national forest programmes (nfps) and to identify strategies that would allow such programmes to effectively address this issue.
- To share the experience of countries that had decentralized their forestry systems some time ago with countries currently undergoing rapid processes of decentralization, including the transitional aspects of decentralization.
- To derive the lessons learned from countries that had implemented decentralization for use, where appropriate, by other countries in the process of decentralization.
- To prepare reflections and proposals for the consideration of the United Nations Forum on Forests related to decentralization, federal/centralized systems of forestry, and their implications for nfps.

* E/CN.18/2005/1.

05-27878 (E) 220405

A total of 160 experts from 51 countries and 32 participants from organizations ranging from local to international, and representing all geographical regions and a wide range of experience, participated in the Interlaken Workshop in their personal capacity.

The final report captures the highlights of the deliberations undertaken during the Interlaken Workshop. As the Interlaken Workshop had been held in the week preceding the fourth session of the Forum, only the unedited text of the report had been available at that session to facilitate the Forum's work on related issues. The draft final report was subsequently edited according to the rules of the United Nations. Please note, in particular, that the report has been kept within the word limit for reports to be translated into the official United Nations languages.

We should be grateful if the final report could be issued as a document of the fifth session of the Forum and also translated into the official United Nations languages.

(*Signed*) Rezlan Ishar **Jenie**
Ambassador
Permanent Mission of Indonesia to the United Nations

(*Signed*) Peter **Maurer**
Ambassador
Permanent Representative of Switzerland to the United Nations

Report of the Workshop co-organized by the Governments of Indonesia and Switzerland on decentralization, federal systems in forestry and national forest programmes ("the Interlaken Workshop")

(Interlaken, Switzerland, 27-30 April 2004)

Summary

An estimated 60 countries are currently engaged in processes towards decentralization of their forest sector and this trend is increasing. Countries undergoing decentralization have made uneven progress so far. They are at different stages, with diverse contexts, needs and stakeholders. Decentralization of the forest sector is not an end in itself but seen only as a tool to accomplish broad objectives pertaining to the conservation, management and sustainable development of all types of forests, as well as to achieving equitable distribution of benefits and the potential to enhance democracy and reduce poverty. These objectives are attained through decentralization of authority, responsibility, finances and accountability.

Decentralization is a complex and dynamic process that includes constant learning and experimentation. It needs to be phased in gradually and involves: building consensus through an open, transparent and inclusive process; participatory decision making; institutional, technical and human capacity building; provision of adequate financial resources and incentives for investment; tailoring objectives to local contexts and developing the flexibility to adapt to different situations and changing circumstances. Priority must be accorded to empowerment and capacity building of the local communities to effectively manage their natural resources. Decentralization should not simply transfer the burden of management but must have net positive benefits to local communities.

Successful decentralization involves a number of prerequisites including formulation of clear: enabling legal and policy frameworks and timely and wide distribution of this information; integration of the decentralization process into national forest programs; achievable objectives; clear allocation of roles, responsibilities, resources and accountability; and mechanisms for conflict resolution. Successful decentralization outcomes have been linked to secure tenure as well as secure fiscal, revenue and taxation powers; equitable access to forest resources; control over decision making, commercial rights and market access; sensitivity to cultural traditions and local knowledge and, where appropriate, recognition of ancestral rights of local communities.

As the forest sector intersects with many other policy areas, decentralization in other related policy areas can have significant impact on decentralization of the forest sector. Decentralization in the forest sector must take into account the experiential gains in other related sectors in the country. It is widely recognized that forests should be managed to optimize their local benefits and provide "higher level public goods." While centralized approaches to protected areas could target sites of national importance, the central authorities also need to provide adequate compensation for opportunity costs of such areas and determine the extent to which rights and access to high value areas can be decentralized. At the same time they also need to ensure that decentralization does not lead to fragmented and dysfunctional landscapes. The participants at the Interlaken Workshop identified a number of areas that require consideration by the United Nations Forum on Forests and the Collaborative Partnership on Forests.

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I. Introduction and Background

1. Decentralization of authority, responsibility, finances and accountability, in various forms, is occurring around the world.[1] An estimated 60 countries are now undergoing decentralization processes. As a major driving force of policy and economic change, this process has had significant impacts on most sectors in countries undergoing decentralization. The Interlaken Workshop on "Decentralization, Federal Systems in Forestry, and National Forest Programs" was organized to examine the impacts of decentralization on management, conservation and sustainable development of all types of forests and its contribution to the Millennium Development Goals. The Workshop explored the effect of the decentralization of forest sector processes on social, cultural, economic, and environmental conditions around the world. The workshop was held as a country-led initiative in support of UNFF.

2. Decentralization processes and the achievement of an appropriate balance between centralization and decentralization of forest-related decision-making and management are key to making progress toward sustainable forest management. Appropriate allocation of roles and responsibilities between central and local governments and the devolution of certain responsibilities to actors outside governments can contribute to equitable, efficient and sound forest management and conservation. On the other hand, inappropriate allocation of roles and responsibilities in forest management can result in negative impacts on people's livelihoods and contribute to deforestation and forest degradation.

3. There are clear linkages between decentralization processes and efforts of countries to achieve the goal of sustainable forest management as set out by the Rio Forest Principles and by actions agreed upon subsequently in the post-UNCED process under the Intergovernmental Panel on Forests, Intergovernmental Forum on Forests, and now the United Nations Forum on Forests (UNFF). These agreed actions address, among other things: enhancing broad participation in decision-making and management of forests by local peoples; facilitating fair and equitable sharing of the benefits from forests; reducing social costs and negative environmental impacts from unsustainable forest management; respecting customary and traditional rights of indigenous and local communities; maintaining and using traditional forest-related knowledge; attracting investment in sustainable forest management; and developing appropriate strategies for the protection of multiple functions and sustainable use of forests. The goal of the Workshop was to draw upon countries' experiences to understand better how sustainable forest management can be furthered by and can contribute to effective decentralization.

4. The Governments of Indonesia and Switzerland organized and co-hosted the Interlaken Workshop, as a country-led initiative in support of UNFF, from 27 to 30 April 2004, held in Interlaken, Switzerland. Technical support for the Workshop was provided by the Center for International Forestry Research (CIFOR) and Intercooperation (Switzerland); the Workshop was cosponsored by the Governments of Brazil, Canada, Ghana, Japan, the Russian Federation, Uganda, the United Kingdom, and the United States of America. In addition to CIFOR, technical support was also provided by other members of the Collaborative Partnership on Forests (CPF), including the Secretariat of the United Nations Forum on Forests, the Secretariat of the Convention on Biological Diversity, the Food and Agriculture Organization of the United Nations through the National Forest Program Facility, the World Bank through the Program on Forests (PROFOR), and the International

Tropical Timber Organization. WRI and WWF were also important partners in this endeavor. Logistical arrangements were made by Intercooperation.

5. The objectives of the Interlaken Workshop were as follows:

- To analyze the implications of decentralization in key aspects of forest management for the development of national forest programmes (nfps) and to identify strategies that would allow such programmes to effectively address this issue;
- To share the experience of countries that decentralized their forestry systems some time ago with countries currently undergoing rapid processes of decentralization, including the transitional aspects of decentralization;
- To derive the lessons learned from countries that have implemented decentralization for use, where appropriate, by other countries in the process of decentralization;
- To prepare reflections and proposals for the consideration of the United Nations Forum on Forests related to decentralization, federal/centralized systems of forestry, and their implications for nfps.

6. A total of 160 experts from 51 countries and 32 participants from local to international organizations, representing all geographic regions and a wide range of experience, participated in the Workshop in their personal capacity.[2]

7. This Final Report captures the highlights of the deliberations undertaken during the Interlaken Workshop.

II. Overview of Sessions

8. The Workshop included thematic, country, and community presentations, input from countries with economies in transition, as well as field trips. Highlights of the deliberations are presented below:[3]

Thematic Issues

9. The Workshop distinguished between democratic decentralization and administrative decentralization, agreeing that the former was more likely to lead to beneficial outcomes. Democratic decentralization is however rarely implemented; substantial decision-making power, resources and benefits from forests are still centralized; and those receiving new authority are often neither representative nor accountable. Decentralizations in the forest sector should begin by working *with* local people and by building on their institutions. Representative and accountable local governments may be the most appropriate interlocutors for this process.[4]

10. Local institutions must be representative, and powers must be securely transferred in order to achieve effective decentralization. Accountability of local institutions to local people, and "subsidiarity principles" that guide the choice and sequencing of power transfers are important in the decentralization process. This must be complemented by at least the minimum environmental standards. Well-structured decentralization of the forestry sector can foster local democracy and a

sense of citizenship. Well framed research and monitoring can help characterize the degree of decentralization and its consequences.[5]

11. Tailoring decentralization efforts to local contexts is a key element towards success. There are significant interrelationships among governance, bureaucracy, markets, media and information. Conflicts, confusion, and failure to achieve decentralization objectives have characterized many decentralization efforts.[6]

12. FAO has supported countries undergoing decentralization, by assisting in implementing institutional changes.[7]

13. Based on their recent decentralization initiatives, a study of eight countries with federal systems, namely Australia, Canada, Brazil, India, Malaysia, Russia, Nigeria, the USA, and in Indonesia, Bolivia and Nepal, found that the federal systems of government to be highly varied and complex, with authority and responsibility fragmented across many sectors and levels of government. Dynamic tension between various levels of government is a permanent feature of this type of political system.[8]

14. There has been a recent reversal in the long-standing tendency to place all protected areas under highly centralized management. There are potential gains as well as risks in this approach. Forests should be managed to optimize both their local benefits and "higher-level" public goods. Central authorities will have to determine the extent to which rights and access to high value areas can be decentralized. Recent developments in "close to nature" forest management provide a model for a decentralized system that can yield good biodiversity conservation, consistent with the ecosystem approach adopted by the Convention on Biodiversity.

Country Cases

15. The central focus of Indonesia's decentralization law was to provide better government services and to enhance people's well-being. This was further strengthened by the 1999 Forestry Act No. 41. Disagreements among different levels of government have contributed to uncontrolled logging and degradation of forestlands. Indonesia is now clarifying its forestry regulations and policies, harmonizing regulations among departments, and building shared perceptions among stakeholders through the national forest programme. A more gradual process towards decentralization is recommended.[9]

16. In Bolivia, there has been a shift in authority over forests from the central government to municipal governments, recognition of indigenous peoples' property rights and a reallocation of some public forest from central to municipal levels. While significant forest management functions have been granted to municipalities, the central government still retains some key responsibilities. Although decentralization has achieved contradictory outcomes, in many cases it has contributed to improved equity in access to forest resources, the distribution of economic benefits from these resources, and to sustainable forest management practices. The main challenges of decentralized forest management include building a process that is sufficiently flexible to adapt to different municipal situations and one that can enhance local democracy.[10]

17. In Scotland, there has been a transfer from state to local control. With the establishment of the Scottish Parliament in 1999, control of Scotland's forest estate passed to the Government of Scotland. Over 100 community woodland organizations have been established. A people's movement led to the passing of a Land Reform Act, which gave communities the right to acquire ownership of land, including woodlands. Local efforts to demand a large share of power have shaped the devolution process at the national level in Scotland.[11]

18. The United States started with a highly decentralized political and economic structure, but over the decades, has centralized portions of that structure. Forest ownership in the US is diverse; it includes extensive private forests, federally managed forests and public forests managed by state and local governments as well as forests owned by native Indian tribes.[12]

19. In Uganda, ten years after the initiation of the decentralization process, the continuing friction between the central government Forestry Department and local governments is attributed to unclear division of responsibility regarding forests and to the lack of resources available to local governments for forest management. Forests have deteriorated, due to illegal harvesting and encroachment for agriculture and settlement.[13]

20. Ghana has a long history of decentralization and re-centralization. The current trend is toward decentralization. A central feature of the renewed decentralization initiative is the District Assemblies that are now seen as the local agent of change rather than the government. However, this formal decentralization process has not worked seamlessly. Central government has been reluctant to decentralize revenue-generating sectors such as forests and mining, and the involvement of NGOs and civil society remains weak. For the decentralization process to have the desired effect, the government must accord priority to empowerment and capacity building of the local communities to effectively manage their natural resources.[14]

21. While acknowledging that decentralization has brought real benefits in Nepal, a number of problems still remain. The temporary abolition of elected village, district, and national level governments in 2002, and the political insurgency from the Maoist movement, have affected the sustainability and profitability of Community Forestry. There is a need to improve benefits to communities and the national economy as a whole, which is based on downward accountability. Two key constraints include the restrictions on harvesting and the marketing of forest products.[15]

Community Panel

22. The Community Panel at the Workshop was designed to examine decentralization from the perspective of local communities. Some overarching conclusions[16] were drawn. With regard to community land and forest rights, forest management should be devolved to community control; community land and forest ownership should be legalized; criteria and indicators for certification should be strengthened; and markets should be designed that recognize local rights. Several policy barriers were identified, including the need to: simplify or remove harvest and transport rules; simplify forest management plans and certification; promote strategic partnerships; develop and enforce contract standards; and provide market and credit information. The main conditions for success of decentralization include secure tenure and secure fiscal, revenue and taxation power, as well as control over decision-making, resources, products and markets. Presentations from Guatemala, the Philippines, and Zimbabwe reflected global diversity and complemented the above-mentioned observations.

23. Four conclusions drawn from the decentralization experience in Mt. Kitanglad Natural Park in the Philippines include: i) park management can be implemented successfully by changing decision-making from national to local levels, and by emphasizing multi-sectoral participation; ii) decentralization, involving many stakeholders, promotes local empowerment; iii) decentralization involves devolution of decision making authority to a variety of stakeholders; and iv) there are no ready-made solutions to park management. Sensitivity and recognition of cultural traditions and local knowledge as well as flexibility to negotiate with various stakeholders are key considerations.[17]

24. In Guatemala, the State has traditionally ignored ancestral rights of local communities. However, these communities have struggled to maintain access and control in regions where forests form part of Guatemala's collective patrimony. There is significant knowledge and local institutional capabilities in forest management in these communities. For decentralization of the forest sector to fulfill its objectives to control deforestation and environmental degradation, it is necessary to establish a better balance of power between the State and other stakeholders, empowering local organizations and increasing capacity for local management regimes in communities and municipalities.[18]

25. In Zimbabwe, state-level and other external actors often define the shape, distribution, and extent of power in decentralization interventions. The state and other external actors have a tendency to retain meaningful power. Communities have found that decentralization, even if demand driven, is not a panacea for the problem of empowerment of local communities. Even when armed with a clear road map of how the communities can initiate decentralization processes at the local level, rural communities cannot go it alone. Communities still need assistance in one form or the other from the district level organizations and other external stakeholders from whom they are trying to emancipate themselves. District level organizations should be active facilitators of decentralization at the local level, while not hijacking the process from the locals. Decentralization can also result in a plethora of conflicts at the local level as new responsibilities and opportunities arise with the devolving of new powers to the community. Conflict resolution mechanisms should be put in place to resolve the conflicts as they arise.[19]

A Short Summary from the Side Event on Decentralization in Countries with Economies in Transition

26. A round table for CIS and Eastern European countries was organized as a side event to discuss decentralization in the context of countries in transition to market economy. The round table had 15 participants coming from Croatia, Kyrgyz Republic, Poland, Russia, Ukraine, Serbia and Montenegro and some donor countries including Switzerland and Finland. Although often classified as a group, the "countries in transition" are heterogeneous by history, economy, natural conditions and availability of forest resources, as well as in the degree of decentralization of their political and economic structure. But all the countries of the region have forest reform on their political and economic agenda. Decentralization is considered as an important tool to facilitate a shift from centrally planned management to a market economy.

27. Participants agreed that forest reform issues should be tackled in a broader cross-sectoral context, and that the success of the reform would be based on: political consensus; willingness of the national governments to cooperate with the regional and local authorities; clear and equitable division of responsibilities, financial resources and a clear system of accountability; legal

frameworks that reflect emerging trends and needs in reforming current forest stock ownership structure; and authority for forest uses, protection and renewal.

28. While some countries with economies in transition have already readjusted their legal frameworks to new economic conditions there is an increased interest from governmental officials, policy-makers, the public in general and practitioners in the forest sector of these countries in having better access to more information and knowledge related to sustainable forest management. It was noted that these countries have diverse ownership structures. Furthermore, there was wide recognition that central governments will have to continue to play strong and appropriate roles in forest management.

Highlights from Excursions

29. The four excursions were organized on the 28th of April by the Swiss Agency for the Environment, Forest and Landscape in cooperation with the Canton of Bern. They were meant to further common understanding about the key issues of the workshop and to facilitate communication among participants. The focus was on interfaces among government stakeholders at national, cantonal and community levels, and between public and private forest owners. Key issues that were examined and discussed included:

- the importance of capacities as well as decision-making power and accountability at the local level
- the strong guiding provisions at the federal and cantonal level and the subsidiarity principle
- the development of a cooperative federalism in which all three levels, namely, local, cantonal and federal have clear responsibilities
- the long time required to develop cooperative federalism
- the need to build institutional capacity from the national to the local levels which historically was strengthened by financial contributions to the salaries from the confederation to the cantonal forest services
- the principle of "coupled contributions" where financial burdens for providing certain environmental services are shared between all three levels
- the positive relations between local political decision-making and centralised technical guidance and funding
- the need of stable relationships between public and private forest owners and the forest service as a precondition to achieve long term goals
- the need of constantly finding a new equilibrium between the three levels of government as well as public and private forest owners, civil society, especially under the current pressure of globalisation and the related cross sectoral influences.

III. Major Themes

30. Six working groups were established to discuss critical areas relevant to the objectives of the Workshop. The output from the working groups is summarized below:

A. Allocation of Roles and Responsibilities and Coordination at Different Levels and Across Sectors

31. The effective implementation of forest sector decentralization may depend on a basic national consensus regarding decentralization in general. For decentralization in the forest sector, one can draw lessons from similar processes in other sectors such as health and education. Forest sector decentralization must also take into account other related sectors such as mining and agriculture and policy spheres such as wildlife and parks, which may not have been decentralized, beginning with dialogues and coordination at the highest possible level.

32. It is noted that central governments tend to be assigned control over protected areas, international trade, balance of inter-regional inequities, oversight of lower level governments, protection of the rights of disadvantaged groups, and research, but this may vary depending on national context.

33. Decentralization is a tool as well as a process. In the forest sector, decentralization is only one of the tools for sustainable development, not a goal itself. It aims to increase equity, efficiency, effectiveness and democracy as well as to improve forest management and sustainability, achieved through the sharing of benefits, experiences and responsibilities. It can be a tool to achieve policy and program objectives in a way that would better meet the needs of local peoples. It offers the prospect of enhanced social and economic development through diversification and expansion of opportunities for sustainable use of forest resources.

34. The transition to decentralization can be supported through the existence of national and sub-national forest policies, transparency, the presence of stable, democratic institutions, and broad-based agreements through transparent, stable and coherent committees or stakeholder processes. Decentralization could be implemented gradually and by sub-national region, permitting the development of a learning process and new capacities.

35. Recognizing that decentralization takes place in very different contexts, it is possible to formulate principles or guidelines as a reference for its implementation. These must be adapted by each country based on their own national reality:

- Establishment of a clear legal and policy framework with a clear allocation of roles, responsibilities and resources, as well as clarity and consistency regarding strategy and implementation.
- Decentralization of powers and responsibilities to districts and municipalities should not proceed arbitrarily but according to a clear set of rules and conditions.
- Decentralization requires accountability at all levels and corresponding multiple accountability mechanisms; elections alone are insufficient.
- Decentralization should recognize, work with and strengthen representative, democratic institutions at all levels.

- Decentralization in the forest sector should not be implemented in isolation from a general national forestry strategy such as national forest programs.
- Decentralized forest management should be based not only on controls but also incentives; rules that cannot be enforced should not be made.
- Decentralization and the implementation of nfps should include monitoring and evaluation with clear, specific variables and indicators.
- Rights and responsibilities must be accompanied by adequate resources and capacity building.
- Decentralization should be based on transparent horizontal and vertical information flows and dialogue, including across sectors.
- Decentralization should both benefit from as well as enhance social capital, increasing coordination and trust among different levels and sectors.
- Local peoples must have a voice, and decentralization should take into account livelihoods, ways of life and improving the economic well-being of these peoples, as well as address inequities such as those relating to gender. Efforts must be made to raise and include the voices of special groups such as women, youth and indigenous peoples.

B. Policy, Regulatory Frameworks and Equitable Benefit Sharing

36. The process, objectives and outcomes of decentralization vary greatly from place to place, and are highly context specific. The objectives and motivation of decentralization vary, but can include efficiency, local development, improved forest management, empowerment of local people, equity, and environmental security. However, two overarching goals for decentralization are: *sustainability* and equitable *self determination*.[20] Under appropriate conditions, these can be mutually reinforcing outcomes.

37. Minimum standards[21] set at appropriate levels (i.e., national or subnational) can promote sustainability and simultaneously maximize local management and use rights. For example, these standards may be effective to prevent conflict over upstream resource use with potentially negative downstream impacts; to assure public goods (i.e., by such means as watershed management); and to promote intersectoral cooperation and inter-jurisdictional equity. Such intervention may also address compensation to local populations when resources are used for other purposes, such as a national park.

38. Collective self determination requires bodies that are representative of and are accountable to local populations who hold significant functions and powers and promote equitable distribution of benefits. Such powers should include, for example, management and use rights, commercial rights, market access, the right to revenue generation as well as fee collection and intellectual property rights.

39. Decentralization should not simply transfer the burdens of management, but have a net positive benefit to motivate local engagement. In cases where the costs of management from imposed responsibilities outweigh benefits to local people, they should remain the responsibility of higher levels of government. Imposed responsibilities must be accompanied by adequate financial means.

40. Security of resource access and the stability or predictability of the legal environment are essential to successful decentralization. This security may be more important than ownership title or whether the resource is owned by the collective or the state. In some situations, collective local control or title can be more secure than titles held by individuals.

41. Decentralization is strengthened when driven by demand from lower levels and achieved through a process based on public debate and inclusive policy making. Such a process must include measures for capacity and institutional strengthening at all levels, local empowerment and mechanisms for conflict resolution. A flexible and open process of learning by doing and willingness to try innovative policies and approaches is important. Externally driven or top-down decentralization must take place at an appropriate pace, and in conjunction with adequate capacity and institution building. However, limited capacity should not be a criterion for retaining central control over forest resources. Capacity building should be simultaneously accompanied with power transfer. Policies to promote an enabling environment for decentralization are essential in this context.

C. Participation, Conflict and Multi-Stakeholder Processes

42. Standardized solutions are considered impossible to address the diversity that exists in the world's forests and among the people who depend on them. Accordingly, the changing nature of forest and human systems requires an iterative, adaptive approach to the decentralization process. Different stakeholders, different mechanisms, and different goals are important in different situations and require careful analysis before interventions are made.

43. One recurrent source of serious conflicts is access to resources. Solutions to these problems are participatory decisionmaking, including inclusive land use planning; widespread availability of information, and implementation of land use and planning policies, as well as fostering cross-sectoral coordination and collective action. In addition there is a need to establish a functioning cadastral system. Inequitable sharing of benefits is another common cause of conflicts. Resolution and avoidance of such conflicts requires: the definition of fair principles of distribution; facilities for arbitration and negotiation; increasing awareness about these issues at the community level; and consistent and coherent policies and legislation developed at higher levels of government. In order to minimize conflicts, there is a need to build consensus among stakeholders.

44. There is a need for enabling legislation on multi-stakeholder processes that sets umbrella goals, leaving the specific implementation to lower levels. This gives maximum flexibility to local people to structure systems that fit their conditions. Such legislation should clearly define roles and responsibilities of the various stakeholders, and strengthen links between communities and the various levels of government. It should also include adequate funding mechanisms. The empowerment of communities in interaction with government and other stakeholders must be an important goal.

45. Capacity building is needed on all levels, from community to national level policymakers. Whereas the community focus should be on access to information, self-monitoring, facilitation, and collective action, policymakers need greater flexibility, adaptiveness, and respect for the knowledge and potential of the populace. There is also a need for education of youth in decentralization.

46. Mechanisms to reduce "elite capture" include: strengthening participation of marginalized groups (e.g., by devolving local level decision making to neighbourhoods or institutionalizing advocacy); developing policies that strengthen checks and balances; bringing equity and decision-making issues into public discussion and establishing related self-monitoring systems; the development of stakeholder groups and networks; and quota systems for disadvantaged groups, particularly at decision making levels.

47. Based on these reflections the following actions are suggested:

- Develop or clarify land use and forest policies, with the involvement of all stakeholders, particularly those at the local level.
- Communicate new legislation and policies as soon and as widely as possible, in language understandable by all. Increase transparency and accountability through better information, information sharing and training.
- Strengthen local capacity for negotiation, monitoring and evaluation. Develop and make available extension programs through university or other appropriate venues to assure effective capacity building at all levels.
- Take into account the diversity of conditions in developing solutions.
- Analyze and address structural inequities that: reduce local people's access to resources and voice in forest management; and reduce the risks for local people in dealing with more powerful actors.
- Approach decentralization as an iterative process, in which one can learn from successes and failures, as well as fine-tune and adapt plans over time.
- Develop and promote silvicultural practices and systems that favour multiple product production to meet specific needs.

D. Financial Incentives, Promoting Investment and Private Sector Partnership

48. The economic costs and benefits of decentralization are not well quantified. However, they are likely to differ in forest-rich and forest-poor countries.

49. Regardless of the underlying motivation for decentralization, decentralization processes must be financially sound to be sustainable over the long term. Governments should carefully evaluate direct and opportunity costs, as well as projected benefits, before entering negotiations on the process. Creating and maintaining a favourable climate for investment is essential. Secure land and resource tenure and a stable political environment are important. Among the measures that are required to improve the investment climate are, *inter alia*: providing adequate opportunities for negotiation and consultation to gain support for decentralization among all interested parties and then negotiated agreement between all parties on the terms, processes and phrasing; clarifying the roles and responsibilities of the different actors at different levels of government; removing financial disincentives; avoiding excessive fragmentation and developing instruments for re-aggregation, respectively; providing incentives for investment, including new sources of finances for payment for environmental services; and minimizing risk.

50. To promote the process of decentralization in a financially sound manner and to enhance the investment climate, governments should, *inter alia*, facilitate access to credit, especially for small and medium scale investments; provide grants for forest management on a competitive basis; reduce barriers to entry; facilitate access to markets; and encourage foreign investment. In some cases, guarantee arrangements providing for specific financial underwriting of risks from policy or institutional change may be necessary, and may need to be written with all levels of government involved. The choice of measures shall be well adapted, taking into account the specific initial situation and conditions within a country.

51. The transition process must be managed carefully to maintain a favourable investment climate and to safeguard the values of forest goods and services. The transition to decentralized decision-making and management of forests is likely to be costly, and the payoffs may not materialize immediately. This requires that governments make adequate provisions to finance the transition. This should include clear indications on the budget allocation to the local governments to be made by the central government in order to facilitate the execution of the transferred responsibilities. During the transition phase, central government funds are needed for a number of areas including: strengthening capacity: providing guidance to local government; monitoring and evaluation activities; and for regulation. Securing external financial assistance may be necessary.

52. This working group:

1. Invites CPF members to:

   a. Assess the costs and benefits of decentralization, the effectiveness of financial measures taken to facilitate the processes, and the economic outcomes of two or three country cases studies.

   b. Develop a diagnostic tool to assist concerned stakeholders in countries assess, plan and manage forest sector decentralization. This tool would indicate the range of institutional, financial, economic and social issues that need to be addressed and conditions central to the building up of a negotiated consensus or agreement on forest sector decentralization.

   c. Make these findings available to countries in a timely fashion.

2. Recommends that countries debate on the form and pace of decentralization as a central part of strategy formulation within nfp processes.

E. Capacity Building, Technical Skills and Information

53. Capacity building is a process of empowerment that operates at different scales—local and national governments, groups and associations, and individuals—and through a wide variety of means, it is a crucial element of successful decentralization.

54. Decentralization is a process of transferring power (authority, competencies, responsibility and resources) from a centralized source to local government units, local communities and stakeholders with the intention of enabling them to envision, plan and implement actions in forest management relevant to generating and sharing benefits from forests.

55. Countries are at very different stages of decentralization and within these countries the contexts and stakeholders are likely to be very diverse. Consequently needs for capacity building, technical skills and information sharing are likely to be quite varied. Effective capacity building, resources, and commitment will be necessary at both national and local levels.

- It is clear that capacity building operates as a catalyst of change at the level of political institutions and organizations as well as individuals. In the case of organizations, capacity building should aim to encourage cultures that are more sensitive to and supportive of decentralization. In the case of individuals, it should focus more on skills, attitudes, and building on existing knowledge and cultures. Importantly, it should also seek to promote a balance between rights and responsibilities as well as resourcing and financial commitments of the participating stakeholders.
- Education is a key element but on its own, it does not constitute capacity building. There is a need for a 'political will', which is an emergent property of the interaction of several types of capacities of individuals, organizations and networks. In this context,, evolving constitutional, legal, institutional and political frameworks for decision making are critical to the success of capacity building.
- Notwithstanding the diversity of actors, contexts and needs, the greatest support is likely to be needed by:
    - Local government units;
    - Local communities, communes and user groups;
    - NGOs and extension agents involved in facilitating and educating on processes of decentralization;
    - Central governments as they learn to open up space for empowered partnerships by stakeholders;
    - Parliamentarians, forest owners, associations, and industry; and
    - Universities and training institutions as they reform curricula and methods to take into account lessons from decentralization and new approaches such as community forestry, ecosystem management, process facilitation, etc.
- These groups would require support in the following areas:
    - Articulation of their interests, mandates and responsibilities etc. to effectively participate as citizens in democratic processes;
    - Planning and envisioning;
    - Implementation, coordination and networking; especially across domains and competencies;
    - Negotiation and conflict management;
    - Monitoring, reflection and adaptation of plans;
    - Financial management and accounting especially with respect to benefit sharing;
    - Management of participatory processes; and
    - Ability to listen, diagnose, learn, decide and act in groups.

F. Maintaining Ecosystem Functions, Sustaining Forest Productivity, and Appropriate Application of Knowledge and Technology

56. The values and benefits of forests accrue at different scales. Many values are important for local communities and tend to be favoured under decentralized systems. Other values, notably biodiversity, hydrological and climate regulation functions are public goods that benefit entire nations and the global community. Special measures are needed to ensure that those values, that are predominantly national and global, are maintained in decentralised systems. Regulations and incentives are the commonest means of achieving this.

57. Much knowledge of forest ecology, especially biodiversity, exists amongst peoples who live in and around forests. The cultures of these societies are often linked to natural processes in their environment. Management must draw upon this local knowledge and decentralized systems are well adapted to do this. The existence of local knowledge and links with local cultures mean that decentralized systems are often better adapted to local conditions and are more resilient in the face of changing external conditions.

58. There are limitations of decentralization with respect to formal protected areas. However, conflict can be reduced if the role of protected areas in the landscape becomes the focus of national conservation strategies rather than simply increasing the number of protected areas. In addition, measures are needed to ensure that decentralization does not lead to fragmented and dysfunctional landscapes. Central institutions will often need to play a role in providing a spatial context for local actions and in setting the limits within which decentralized managers operate.

59. In order to exploit the potential environmental benefits of decentralized systems and guard against the potential negative impacts, the following principles should be observed:

- Whenever possible traditional communal forest management systems, which provide multiple functions, should provide the basis for decentralization. Such systems are likely to be effective in meeting local needs, better adapted to local conditions and resilient to external influences.
- Markets need to be developed for environmental services (particularly water protection, climate change and biodiversity), based on secure property rights in order to provide the revenue support for the provision of those services and as a more equitable way for society to exert influence over which national and global values are delivered.
- Centralised approaches to protected areas should target sites of national importance and any local opportunity costs of such areas should be compensated in an adequate way. Additional ecological values should be conserved at a landscape level through decentralized multifunctional management systems.
- Central institutions should use participatory approaches in establishing the limits within which decentralised systems operate. They will need to provide the spatial planning context, define the permanent forest estate and otherwise support regulatory and incentive frameworks.
- Economies of scale tend to favour uniform approaches in large-scale centralised schemes for the restoration of degraded lands. With the right framework of incentives and property

rights, decentralised systems will often favour more biologically diverse and locally adapted approaches to restoration.

IV. Conclusions and Reflections

60. In the forest sector, decentralization should be seen as a means to accomplish the broad objectives of poverty alleviation, sustainable economic development, and protection of local and global environmental values. Under the right circumstances, decentralization enhances efficiency, equity and participation in forest management and conservation. To date, uneven success has been achieved with decentralization in the forest sector. The Workshop participants noted that decentralization initiatives in the forestry sector would need to recognize that:

- Decentralization is a complex and dynamic process that evolves over time, adjusting and adapting to changing contexts; it should be based on thorough understanding of the specific political, institutional, social, cultural and economic conditions of each country;
- There is significant evidence that a form of decentralization that truly empowers local communities or even local governments has not yet occurred in many countries;
- As the forest sector intersects with many domains of development and sectors of economy, decentralization in other related policy areas can have significant influence. Conversely, decentralization in the forest sector may give the local community a lever with which to address their interests in other areas;
- It is critical to reach consensus through a consultative multi-stakeholder process among various interest groups resulting in a clear understanding of roles, responsibilities, authority, and accountability at various levels;
- Decentralization should be based on, as well as enhance, information flows, transparency and accountability at all levels;
- Appropriate political conditions and provision of financial and technical resources are essential;
- It is not essential to devolve all functions of the forest sector at the same time; decentralization may be accomplished in gradual, sequential phases in a mutually agreed and equitable manner at all levels;
- Decentralization can produce sustainable environmental benefits under the right circumstances, but it can also lead to significant environmental problems;
- Gender considerations, education of youth and children, particularly the girl child, and other equity concerns should be given more attention;
- There is a need to approach decentralization from an adaptive perspective, monitoring, learning from experience, and revising plans accordingly;
- There is a difference of opinion about the inclusion of transfers of power to the private sector in "decentralization;" and

- Countries, CPF members, regional organizations and other organizations and instruments provide opportunities through workshops, partnerships and programmes to share information and experiences on decentralization.

V. Recommendations for the Consideration of UNFF

61. The participants of the workshop identified the following areas that require further consideration by UNFF:

- Develop a common understanding of the relevant concepts, terms and definitions to facilitate future dialogue on decentralization in the forest sector;
- Promote dissemination of appropriate information to enhance the understanding of various aspects of decentralization in the forestry sector;
- Formulate appropriate approaches to maintain protected areas while enabling traditional use by the indigenous/local people and forest dwellers;
- Develop principles of subsidiarity—that is devolving power, authority and resources to the lowest appropriate level—for forest management and use;
- Develop principles to guide institutional choice for equitable representation;
- Further promote the valuation of forest environmental services and encourage fair compensation for these services, including through market mechanisms;
- Work to ensure at national and sub-national levels that decentralization is pursued within the context of the broader national landscapes, by way of continuous cross-sectoral information sharing, dialogue and partnership;
- Analyze the implications of decentralization in key aspects of forest management for the development of national forest programmes (nfp) and to identify strategies that would allow such programmes to effectively address this issue;
- NFP Facility and PROFOR assist countries undergoing decentralization to integrate the process into their national forest programmes (at national or sub-national levels), for example, by developing appropriate guidelines, so as to develop conducive policies and legislation and to facilitate the necessary negotiation processes;
- Strengthen the human and institutional capacity of all stakeholders, particularly at the local level, using a range of methods for sharing knowledge, including partnership among various stakeholders;
- Promote partnership among various stakeholders and sectors, including S-S, N-N, N-S, and S-N-S cooperation for institutional and human capacity building; and
- Promote the involvement of NGOs and other major groups as strong partners in planning monitoring and implementation activities related to decentralization at all levels.

62. The Interlaken Workshop on decentralization of the forest sector considered various concepts, definitions and terms currently employed in the implementation of this activity. The Workshop provided an opportunity to share experiences with decentralization of the forest sector involving a wide range of conditions including: developing and industrialized countries, as well as countries with

economies in transition; forest-rich and forest-poor countries; countries under various political, economic, social, cultural and environmental regimes. The field excursion exemplified the functioning of cooperative federalism and the application of the "subsidiarity principle", engaging three levels of government. Integration of decentralization within the national forest program (nfp) of a country is considered to be an essential step towards a successful decentralization process. The outputs from the Interlaken Workshop provide a useful framework to structure future deliberations and actions on decentralization at the United Nations Forum on Forests, as well as other national, regional and global fora addressing forest policy.

63. The participants expressed their deep appreciation to the Governments of Indonesia and Switzerland for co-sponsoring the Workshop, and to the organizing committee for their efforts. They also expressed their sincere thanks to the government and people of Switzerland for hosting the Workshop and for their warm and generous hospitality.

Notes

[1] This Workshop dealt with a number of related concepts, including decentralization, deconcentration, devolution, and privatization, among others. Annex 2 provides a summary of definitions offered in the various papers presented at the Workshop.

[2] These countries were: Argentina, Australia, Austria, Bolivia, Brazil, Burkina Faso, Cameroon, Canada, China, Colombia, Croatia, Cuba, El Salvador, Ethiopia, Finland, Germany, Ghana, Guatemala, India, Indonesia, Italy, Japan, Kyrgyz Republic, Malawi, Mali, Mexico, Morocco, Nepal, Netherlands, Nicaragua, Nigeria, Norway, Philippines, Poland, RDCongo, Russian Federation, Scotland, Senegal, Serbia and Montenegro, South Africa, Spain, Sri Lanka, St. Lucia, Switzerland, Thailand, Uganda, Ukraine, United Kingdom, USA, Venezuela, Zimbabwe

[3] The papers on which the presentations were based are available at www.cifor.org.

[4] Anne Larson on "Democratic Decentralization in the Forestry Sector: Lessons Learned from Africa, Asia and Latin America."

[5] Jesse Ribot on "Choose Representation: Institutions and Powers for Decentralized Forest Management."

[6] Ferguson and Chandrasekharan on the "Paths and Pitfalls of Decentralisation for Sustainable Forest Management: Experiences of the Asia-Pacific Region."

[7] Morell on "FAO Experience in Decentralization in the Forest Sector."

[8] Gregersen *et al.* on "Forest Governance in Federal Systems: An Overview of Experiences and Lessons."

[9] The Indonesian delegation, cosponsor of the Interlaken workshop, on "Decentralization for the Forestry Sector: Indonesia's Experience."

[10] Pacheco on "Decentralization of Forest Management in Bolivia: Who Benefits and Why?"

[11] Ritchie and Haggith on "The Push-me-Pull-you of Forest Devolution in Scotland."

[12] Rose with MacCleery on "Forest Resource Decision Making in the United States."

[13] Nsita on "Decentralisation and Forest Management in Uganda."

[14] Sasu on "Decentralisation of Federal Systems in Forests and National Forestry Programme: The Case of Ghana."

[15] Robinson et al. on "Power and the Development of Community Forestry: The Rhetoric and the Complex Realities in the Nepal Context."

[16] Arvind Khare on "Strengthening Community Land and Forest Rights for Meaningful Decentralisation."

[17] Makapukaw and Mirasol on "Decentralizing Protected Area Management: Mt. Kitanglad Experience."

[18] Elias and Wittman on "State, Forest and Community: Reconfiguring Power Relations and Challenges for Forest Sector Decentralization in Guatemala."

[19] Hlambela and Kozanayi on "Decentralized Natural Resource Management in the Chiredzi District of Zimbabwe: Voices from the Ground."

[20] Self-determination requires a domain of equitable and autonomous decision making.

[21] A minimum standards approach contrasts with approaches that require management plans or other pre-approval.

Annex A: Agenda

Country-led initiative in Support of UNFF on Decentralization, Federal Systems in Forestry and National Forest Programs (27-30 April 2004)

Monday 26 April

16:00 – 19:00 Registration

19:00 Speakers meeting

Tuesday 27 April

08:00 – 09:00 Registration

09:00 – 10:15 Opening by Official Representatives

(Philippe Roch, Director, Swiss Agency for the Environment, Forests and Landscape; Wahjudi Wardojo, Secretary General of the Ministry of Forestry, Indonesia; Albert Rösti, Secretary General, Canton of Bern; Susan Braatz, United Nations Forum on Forests; André Morgenthaler, President of the Community of Interlaken; David Kaimowitz, Director General, Center for International Forestry Research), with opening words by moderator, Christian Küchli, Swiss Agency for the Environment, Forests and Landscape

10:15 – 10:45 Coffee break

10:45 – 11:00 Workshop Objectives

11:00 – 11:35 Democratic Decentralization in the Forestry Sector: Lessons Learned from Africa, Asia and Latin America (Larson)

11:35 – 12:45 Country presentations and initial discussions

Indonesia: Decentralization in Forestry: Indonesia's Experience (Siswanto)

Bolivia: Decentralization in Bolivia: Who Benefits and Why? (Pacheco)

12:45 – 14:00 Lunch

14:00 – 15:30 Session I: Country Experiences (Chair: Chandrasekharan)

- The Push-me-pull-you of Forest Devolution in Scotland (Ritchie)
- Decentralization in Ghana (Sasu)
- Power and the Development of Community Forestry in Nepal (Robinson)

Session 2: Thematic Issues (Chair: Kaimowitz)

- The Implications for Biodiversity Conservation (Sayer)
- Choosing Representation (Ribot)
- FAO Experience in Decentralization (Wencelius and Morell)
- Paths/Pitfalls of Decentralization in the Asia-Pacific Region (Ferguson)

15:30 – 16.00 Coffee Break

16:00 – 17:15 Roundtable on Federalism (Chair: Capistrano)

Forest governance in Federal Systems (Contreras)

Respondents: Russia (Malysheva); Brazil (Toni); Switzerland (W. Zimmermann); Uganda (Nsita); India (Bahuguna)

17:15 – 18:00 Introduction to Field Trips (Küchli)

18:00 – 18:30 Sign-up for field trips

18:30 – 19:00 Constitution of the Drafting Committee, Working Groups Chairs and Rapporteurs

Wednesday 28 April

08:00 – 16:30 Excursion 1: Rugen/Murren – From Government to Governance (Küchli/Zumstein)

08:00 – 16:30 Excursion 2: Brienz - Cooperative Federalism to Fight Natural Hazards (Kaimowitz/E. Zimmermann/Ryter)

08:00 – 16:30 Excursion 3: Boltigen – Role of Local Community Organizations and the Cantonal Forest Service (Capistrano/Stucki/von Grünigen)

07:45 – 16:30 Excursion 4: Emmental Farm Forests – Resource Management in Privately Owned Forests (Blaser/Marti)

Thursday 29 April

08:00 – 09:00 Breakfast meeting for rapporteurs only, field trip reports

09:00 – 10:00 Field trip reports and discussion (Chair: Blaser)

10:00 – 10:30 Coffee break

10:30 – 12:00 Community Round Table (Chair: Capistrano)

- Community Issues in Decentralization (Khare)
- The State, Forests and Communities in Guatemala (Elias/Wittman)
- Decentralized NRM in Zimbabwe (Hlambela/Kozanayi)
- Decentralizing Protected Area Management in the Philippines (Makapukaw)

12:15 – 12:45 Introduction to Working Groups (Blaser)

12:45 – 14:00 Lunch

14:00 – 18:00 Working Groups

- Working Group 1 – Allocation of roles and responsibilities
- Working Group 2 – Maintaining ecosystem functions
- Working Group 3 – Policy, regulatory frameworks, equitable benefit sharing
- Working Group 4 – Financial incentives, promoting investment, private sector
- Working Group 5 – Participation, conflict and multi-stakeholder processes
- Working Group 6 – Capacity building, technical and information support

18:00 – 19:30 Chairs and rapporteurs of WGs prepare summaries

19:30 – 20:30 Drafting committee (coordinator: Maini) and rapporteurs meet

20:30 Open-ended drafting committee

Side event

19:30 – 21:00 CIS and Eastern Countries – exchange (Juszczac, Blaser)

Friday 30 April

07:00 – 08:15	Joint breakfast meeting, drafting committee and WG rapporteurs
08:15 – 09:00	Production of first draft of report
08:30 – 09:00	Coffee break
09:00 – 11:00	Review of Draft 1 by WGs
11:00 – 14:00	Drafting committee revises, produces draft 2 over lunch; visit to Interlaken of other participants
13:00 – 14:00	Lunch
14:00 – 15:00	Review of Draft 2
15:00 0 15:30	Coffee break
15:30 – 17:30	Propositions for consideration by UNFF member countries/Closing

Annex B: Definitions of Decentralization Concepts

Decentralization, Deconcentration and Devolution: A Sampling of Definitions*

Decentralization

"Decentralisation is usually referred to as the transfer of powers from central government to lower levels in a political-administrative and territorial hierarchy (Crook and Manor 1998, Agrawal and Ribot 1999).

Decentralization is transferring the power from the federal to regional level or delivering management functions to other authorities (Malysheva).

Deconcentration

Deconcentration is "...[a]dministative decentralization, i.e. a transfer to lower-level central government authorities, or to other local authorities who are upwardly accountable to the central government" (Ribot 2002 in Larson).

Devolution

Devolution is "The transfer of rights and assets from the centre to local governments or communities. All of these processes occur within the context of national laws that set the limits within which any decentralised or devolved forest management occurs" (Sayer et al.).

"The transfer of governance responsibility for specified functions to sub-national levels, either publicly or privately owned, that are largely outside the direct control of the central government" (Ferguson and Chandrasekharan).

Delegation

"The transfer of managerial responsibility for specified functions to other public organizations outside normal central government control, whether provincial or local government or parastatal agencies" (Ferguson and Chandrasekharan).

Ferguson and Chandrasekharan include privatisation as a particular form of devolution to private ownership that has become prominent in recent times (Ferguson and Chandrasekharan). However Ribot argues that privatization is not a form of decentralization.

References

Agrawal, A and Ribot J. 1999. *Accountability in Decentralization: A Framework with South Asian and West African Environmental Cases*. The Journal of Developing Areas 33: 473-502.

Crook, R. and Manor, J. 1998. *Democracy and Descentralisation in South Asia and West Africa*. Cambridge University Press, Cambridge.

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* Excerpted from a compilation by Elizabeth Linda Yuliani.

Malysheva, N.V. *Main Features of Russia's Forest Management System.*

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